

Message Text

CONFIDENTIAL

PAGE 01 STATE 086577

46

ORIGIN PM-03

INFO OCT-01 EA-06 ISO-00 DODE-00 NSC-05 SP-02 SS-15 AID-05

IGA-01 OMB-01 TRSE-00 L-02 CIAE-00 INR-07 NSAE-00

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DRAFTED BY PM/SAS:DJJAMES:DOD/DSAA:GARUDD:RG

APPROVED BY PM/SAS:DJJAMES

EA/TB - MR. TOMSETH

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P 161433Z APR 75

FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK PRIORITY

CINCPAC HONOLULU HI

C O N F I D E N T I A L STATE 086577

E.O. 11652: GDS

TAGS: MASS, TH

SUBJECT: FY 75 FMS CREDIT

JOINT STATE/DEFENSE MESSAGE

1. INTERAGENCY APPROVAL HAS BEEN GIVEN TO THE LEVELS OF CREDIT FOR INDIVIDUAL COUNTRIES UNDER THE FY 75 FMS CREDIT PROGRAM. SINCE ALL FMS CREDIT FUNDS MUST BE OBLIGATED BY 30 JUNE 1975, ACTION MUST BE TAKEN NOW TO (A) DETERMINE EACH COUNTRY'S DESIRE IN ACCEPTING FMS CREDIT FROM THE USG, (B) DEVELOP A PRIORITY LIST OF DEFENSE ITEMS WHICH EACH COUNTRY WOULD WISH TO PURCHASE FROM THE USG WITH SUCH CREDITS, (C) DEVELOP PLANS FOR THE NEGOTIATION AND CONSUMMATION OF SPECIFIC CREDIT ARRANGEMENTS.

2. WITH REGARD TO THAILAND, \$8 MILLION IN CREDIT FUNDS ARE INCLUDED IN THE FY 75 PROGRAM. IF THE FINAL CREDIT PROGRAM IS APPROVED, THESE FUNDS COULD BE MADE AVAILABLE TO THE ROYAL THAI GOVERNMENT BY THE FEDERAL FINANCING BANK (FFB), WITH USG GUARANTEE OF THE LOAN. THE FFB IS AN
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PAGE 02 STATE 086577

INSTRUMENTALITY OF THE USG UNDER THE DIRECTION OF THE

SECRETARY OF THE TREASURY.

3. REQUEST YOU CONVEY SUBSTANCE OF PARAS 1 AND 2 TO APPROPRIATE RTG OFFICIALS. AT SAME TIME YOU SHOULD MAKE CLEAR THAT TO PERMIT TIME TO OFFER UNUTILIZED CREDIT TO OTHER COUNTRIES, USG URGENTLY REQUIRES A PRELIMINARY RTG DECISION NOT LATER THAN 25 APRIL 1975 AND A FINAL DECISION NOT LATER 10 MAY 1975 IF THEY WISH TO AVAIL THEMSELVES TO THIS CREDIT. LIST OF PRIORITY DEFENSE ITEMS AND SERVICES TO BE PURCHASED BY THE RTG UNDER THIS PROGRAM SHOULD ALSO BE SUBMITTED BY JUSMAG TO DSAA INFO SECSTATE AT THAT TIME.

4. FOLLOWING PARAGRAPHS OUTLINE TERMS AND PROCEDURES RELATING TO FFB FINANCING. IF THE COUNTRY EXPRESSES ACCEPTANCE OF FFB CREDIT, ITS REPRESENTATIVES SHOULD CONTACT THE U.S. TREASURY TO COMMENCE DISCUSSIONS. IF DESIRED, DSAA CAN ARRANGE FOR INITIAL MEETING BETWEEN COUNTRY AND TREASURY REPRESENTATIVES. LOAN AGREEMENTS ARE COMPLETED IN WASHINGTON, D.C.

5. THE FORM OF THE FFB LOAN AGREEMENT USES SEVERAL FEATURES OF BOTH DIRECT FMS AND COMMERCIAL LOANS. IT NORMALLY IS SIGNED BY THE AMBASSADOR IN WASHINGTON. AT THE SAME TIME, A SINGLE PROMISSORY NOTE FOR THE ENTIRE AMOUNT OF THE LOAN IS SIGNED. A WRITTEN OPINION OF THE COMPETENT LEGAL ADVISER OF THE APPROPRIATE MINISTRY OF THE BORROWING GOVERNMENT CERTIFYING TO THE VARIOUS AUTHORITIES NECESSARY TO EXECUTE, DELIVER AND ADMINISTER THE AGREEMENT IS REQUIRED. (THIS DOCUMENT NORMALLY TAKES TIME AND PREPARATION SHOULD BE COMMENCED AS SOON AS THE COUNTRY DECIDES TO ACCEPT CREDIT.) A ONE-TIME FEE OF ONE-FOURTH OF ONE PERCENT OF THE PRINCIPAL AMOUNT IS CHARGED FOR THE USG GUARANTY AND IS PAYABLE BY THE BORROWER FROM ITS OWN FUNDS AT THE TIME THE LOAN IS SIGNED.

6. ADVANCES (DISBURSEMENTS) AGAINST THE LOAN ARE OBTAINED

BY THE BORROWER FORWARDING LETTER REQUESTS THROUGH DSAA (FOR CERTIFICATION) TO THE FFB. ONLY ONE ADVANCE MAY BE REQUESTED FROM THE FFB EACH MONTH, EXCEPT AMOUNTS OF

CONFIDENTIAL

PAGE 03 STATE 086577

\$500,000 OR MORE MAY BE REQUESTED AT ANY TIME. A SEPARATE RATE OF INTEREST IS DETERMINED FOR EACH ADVANCE, BASED ON THE COST OF MONEY TO THE USG PLUS AN ADDED PERCENTAGE TO COVER ADMINISTRATIVE FEES. AFTER THE LAST DISBURSEMENT, THE FFB ESTABLISHES A SINGLE FIXED EQUIVALENT INTEREST RATE FOR APPLICATION AGAINST ALL PRINCIPAL OUTSTANDING, IN LIEU OF THE SEVERAL SEPARATE RATES. THERE IS NO COMMITMENT FEE. DISBURSEMENT AND PRINCIPAL REPAYMENT TERMS

ARE ESTABLISHED DURING THE INTERAGENCY COORDINATION
PROCESS MENTIONED ABOVE. KISSINGER

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Message Attributes

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